

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 002024

SIPDIS

STATE PLEASE PASS TO EUR/SE AND PM/DTTC

E.O. 12958: DECL: 03/30/2015

TAGS: [MASS](#) [MARR](#) [MCAP](#) [TU](#)

SUBJECT: BOEING PLAYING OUT ITS FINAL ACT IN TURKEY'S
ATTACK HELICOPTER TENDER

REF: A. ANKARA 1588

[1](#)B. ANKARA 1557

Classified By: Political-Military Counselor Tim Betts, reasons 1.4 (d)

[1](#)1. (C) Summary: Despite having raised with Post multiple concerns about the Terms & Conditions (T&Cs) in the attack helicopter tender issued by Turkey's Undersecretariat for Defense Industries (SSM) on February 10 (ref a), Boeing remains engaged in a dialogue with SSM over modifications that might permit the company to submit a proposal. SSM appears eager to keep Boeing in the game and the Turkish General Staff (TGS), which had not commented on the tender until US contractor concerns surfaced, has now engaged in the discussion. However, Boeing officials do not expect SSM to satisfy all of the company's concerns in order to allow the company to bid and view their outreach efforts as a final gesture of goodwill. End Summary.

[1](#)2. (SBU) US-based Boeing representatives came to Turkey on March 29 to discuss a list of concerns about Turkey's attack helicopter tender with the SSM Aviation Department head and helicopter project team. According to a read-out of the six-hour meeting provided to the US Office of Defense Cooperation (ODC), Boeing executives explained to SSM that Boeing would not be able to participate in the tender if it remained as currently written. Boeing's objective for the meeting was to determine if SSM would show any flexibility in the T&Cs to alleviate Boeing's issues with the tender, which mirror those of Bell Helicopter, which withdrew from competition on March 18 (ref b). These include: Technical Data Package (TDP) transfer and updating for 35 years; contractor liability for performance of integrated Turkish components; submission of preliminary US Government authorization and/or licenses with the June 10 proposal submission; mandatory performance bond replenishment and SSM's right to make unlimited performance bond drawdowns; and a 60% offset obligation.

[1](#)3. (SBU) Boeing additionally raised several company-specific concerns, including SSM's requirement for the adaptation of an SSM-approved Quality Assurance System (Boeing will not change its quality system); contractor compensation for obsolete components over 30-35 year period; and a Boeing requirement for specific language in the liabilities section to insulate its commercial aircraft business unit. According to the Boeing officials, SSM exhibited some willingness to consider Boeing's concerns and asked for a complete listing of Boeing's issues in writing, along with suggested alternative tender language. However it also requested Boeing obtain from the USG a letter stating the USG would grant all required export licenses. Boeing officials told ODC that they rejected outright the request for a letter from the USG but agreed to provide the written list of concerns. They did not provide us with a timeframe for the response.

[1](#)4. (SBU) In discussions with ODC, the US-based Boeing representatives were circumspect about the company's ultimate decision on participation in the tender, and declined to share the company's concerns in great detail. However they did reveal that Boeing's latest cost estimate for participation is \$4M-\$4.5M, or \$2M higher than originally thought: \$2-\$2.5M to write the bid and \$1.5-\$2M to conduct the aircraft demonstration and live fire test.

[1](#)5. (SBU) Boeing's Ankara representative was more forthcoming when he returned from consultations in Seattle. In his estimation, Boeing was just completing the final act of a play with a known ending. It would meet its commitment to provide SSM with suggested contractual changes to address its 18 concerns but did not expect SSM to agree to enough of them to persuade the company to submit a proposal. Since Boeing considers all 18 "show stoppers," SSM rejection of just one could stop the company from bidding. A senior Boeing executive would visit Turkey in the coming weeks to emphasize this position with SSM and to remind the Turkish Land Forces Command that it could acquire Apache helicopters through the Foreign Military Sales program. If SSM does not concede enough to allow Boeing to bid, to discourage SSM from trying to keep Boeing in an fruitless dialogue the company would end the communication until shortly before the June 10 bid submission deadline, at which time it would announce its withdrawal from competition.

16. (C) Following SSM's meeting with Boeing, Undersecretary Murad Bayar told ODC Chief General Sutton that SSM had not been particularly surprised by Bell Helicopter's decision not to bid given Bell's negative experience with the failed initial tender. However, he emphasized that losing Boeing would be a very bad outcome for the overall competition of the tender. Therefore, SSM is willing to consider changing those contract items and T&Cs that Boeing declares to be absolute "show stoppers," if they are submitted soon in order to adjust the T&Cs for all bidders. Aviation Department Chief Sedat Guldogan told Deputy PolMilCouns his impression was that Boeing had arrived at the meeting with SSM prepared to withdraw from competition, but seemed more encouraged by the end of the day. He asked for any information the Mission could share on Boeing's latest thoughts on the tender. After checking with Boeing, we plan to tell Guldogan that the company is making a good faith effort to be able to bid, but the T&Cs are making it very hard to do.

17. (C) SSM appears eager for recognition of its outreach efforts to US contractors. Guldogan told Deputy PolMilCouns and ODC Defense Cooperation and Acquisitions Officer on March 22 that the tender had been altered even before issuance to limit the replenishable bid bond to 20% of the contract value and to limit contractor simple negligence liability to 20% of the contract value in response to concerns voiced by ODC. SSM had also agreed to a request by US defense contractors for bilateral meetings following the March 10 Bidders' Conference and to the March 29 meeting with Boeing in order to demonstrate its willingness to accommodate US corporate concerns. Guldogan asked the Embassy to urge US companies not to leave the final decision to lawyers, suggesting they look beyond the contract terms to consider that SSM had never exercised its right to draw down a bid bond. Separately, the Turkish General Staff (TGS), which had refrained from comment about the tender until the US concerns were raised, sent LTG Babaoglu, Chief of Plans and Principles, to review in detail with ODC officials the US contractor issues. Judging by his questions, ODC does not believe LTG Babaoglu was familiar with the details of the tender before the discussion.

18. (C) COMMENT: While the signs would suggest that Boeing will ultimately withdraw from the tender, it is making a good faith effort with SSM to work through its concerns and has not made a decision to withdraw. SSM appears equally inclined to work for Boeing participation. TGS engagement is a positive sign, although we are unsure if they are prepared to act to ensure a US bid. We share Boeing's pessimism that SSM will not be as flexible as the company needs to keep it in the game. But for now the game continues. END COMMENT.
EDELMAN